

Senator Joe Manchin

Putting Our Fiscal House in Order

As a leading voice for finding common sense solutions to our nation's most pressing challenges, Senator Manchin is supporting bipartisan ideas to tackle out-of-control spending, deficit and debt. Senator Manchin will work with any lawmaker of any party to come to a reasonable, bipartisan solution to our country's debt problems.

Senator Manchin has made clear he will not vote for an increase in the debt ceiling without a long-term spending fix in place, and he believes the following two proposals represent a strong framework for developing the necessary debt fix. Senator Manchin is committed to working on a final compromise that will not only reflect our values but will also defend our nation's priorities, including vital programs such as Social Security and Medicare.

Below is an overview of the problem and two debt fix solutions Senator Manchin will be supporting this week.

The first is proposed legislation, titled the Corker-McCaskill Cap Act, which would cap federal spending in the short term, cut our debt and deficits, and bring spending back in line with historic averages over the long term. The second is the Udall-Shelby Balanced Budget Amendment, which would force Washington to live within its means by establishing, as most states already have, a yearly balanced budget requirement.

The Problem: Out-Of-Control Spending, Deficit & Debt

- High debt has real consequences for West Virginians, including higher interest rates on loans, lower private sector investment, and a limited ability for the federal government to invest wisely in growth.
- In FY 2010, the U.S. government spent \$3.5 trillion (23.8 percent of GDP) and collected \$2.2 trillion in revenue (14.9 percent of GDP), resulting in a budget deficit of \$1.3 trillion (8.9 percent of GDP). The FY 2011 budget deficit is projected to top \$1.6 trillion. Historically, total government spending has averaged roughly 20 percent of GDP.
- The federal budget deficit has risen sharply since FY 2007. The deficit was \$160.7 billion in FY 2007, increased to \$458.5 billion in FY 2008, and **ballooned to \$1.4 trillion in FY 2009**.
- The CBO projects net interest payments will increase four-fold over the next 10 years, from \$197 million in FY 2011 to \$792 billion in FY 2021. **This means that 14 percent of all federal spending will go to interest alone by FY 2021.**

Proposed Solutions: The CAP Act

- Senator Manchin is working with a bipartisan group of Senators led by Republican Senator Bob Corker to pass the CAP Act.
- **CAPS:** The plan would cap spending as a percentage of GDP from the current level – 24.7 percent of GDP – to the 40-year historical level of 20.6 percent.
- **CUTS:** The bill would cut government spending beginning in 2013, and make cuts every year for the next decade to gradually begin reining in out-of-control debt.
- **FLEXIBILITY:** The plan would provide Congress the flexibility to debate and decide where cuts will be made.
- **DEBT-CUTTING TRIGGER:** If Congress fails to meet the annual cap, the legislation would require that cuts be evenly distributed and made simultaneously throughout the federal budget to bring spending down to the pre-determined level. This mechanism would force members to reach compromises before allowing the executive to cut budgets across the board.
- **EMERGENCY OVERRIDE:** The legislation would allow for a two-thirds vote in both houses of Congress to override the binding cap, should an emergency arise that necessitates a spending adjustment.

Proposed Solutions: Balanced Budget Amendment

- Senator Manchin is working with another bipartisan coalition led by Senators Richard Shelby (R-Ala.) and Mark Udall (D-Colo.) to adopt a balanced budget amendment to the U.S. Constitution.
- **COMMONSENSE MEASURE:** The measure, Senate Joint Resolution 4, simply states that federal spending cannot exceed revenue – which is the way most families live.
- **CAPS SPENDING:** Similar to the CAP Act, the Balanced Budget Amendment would also limit total government spending to 20 percent of gross national product (GNP) of the previous year.
- **WAR EXEMPTION:** The amendment would not be in effect when the United States is engaged in a declared war.
- **EMERGENCY OVERRIDE:** The amendment allows for a three-fifths vote of each house of Congress to suspend the balanced budget requirements for a given year, should extreme circumstances arise.